



Special Commodity Report

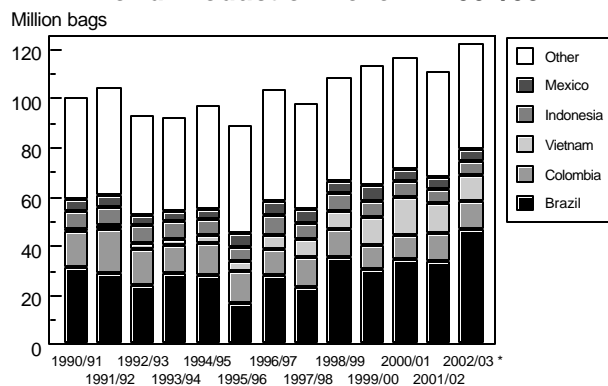
November 1, 2002

Rising Global Supplies Push Coffee Prices to 100-Year Lows

Summary

The world coffee situation is characterized by record production and low world prices. World coffee production in 2002/03 is forecast at a record 122.1 million bags (60 kilograms or 132.276 pounds), up 10 percent from the previous year's level. Brazil's crop in 2002/03 is forecast at a record 46.9 million bags, up 39 percent, or 13.2 million bags from the previous year. Mainly as a result of the large Brazil crop, total supply in 2002/03 is forecast to reach 143.6 million bags, up nearly 6 percent over the 2001/02 level. Total supplies of coffee have not reached this level since 1991/92 when they were 149.5 million bags. Brazil is expected to account for about 37 percent of total supplies in 2002/03, with Colombia's and Vietnam's share each forecast at 8 percent. In comparison, during 1991/92, Brazil's share of total supply was 34 percent; Colombia's, 16 percent; and Vietnam's share, only 1.5 percent.

Brazil's Bumper Coffee Crop Leads to Record World Production Level In 2002/03

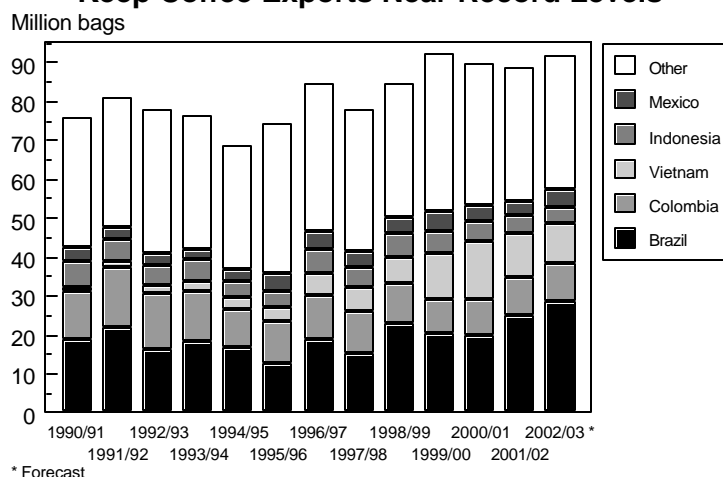


Low global coffee prices for a sustained period of time have led many farmers to abandon trees and, in some cases, use less fertilizer. Not surprisingly, this reduced tree maintenance has led to lower yields. Countries where production is forecast to decline in 2002/03 include (in 60-kilogram bags): Vietnam, down 1.75 million bags; Dominican Republic, down 200,000 bags; Indonesia, down 200,000 bags; Zaire, down 170,000 bags; Honduras, down 150,000 bags; India, down 150,000 bags; Costa Rica, down 114,000 bags; and Colombia, down 100,000 bags.

Coffee Exports Forecast Near Record Levels

Total coffee exports in 2002/03 are forecast at 92.0 million bags, up nearly 4 percent over 2001/02. Brazil accounts for most of the increase.

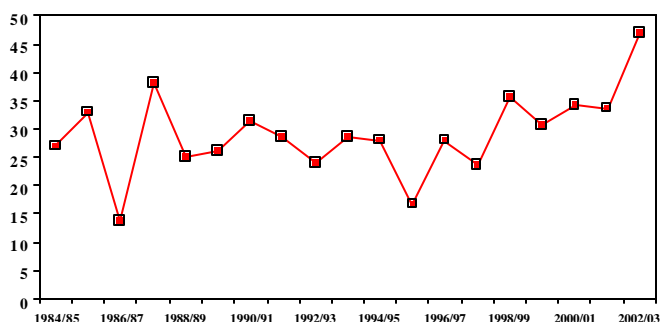
Ample Coffee Supplies in 2002/03 Are Forecast to Keep Coffee Exports Near Record Levels



Brazil's Coffee Production in 2002/03 Forecast at a Record

Brazil's coffee production forecast in 2002/03 (July-June) is 46.9 million bags. The arabica coffee production is forecast at 35.5 million bags, while robusta production is forecast at 11.4 million bags. Brazil's total 2002/03 exports are forecast at 28.6 million bags, a 15-percent increase compared to the 2001/02 level. Brazil's coffee is expected to remain competitive internationally due to the availability of product, low domestic prices, and the steady devaluation

Brazil's Coffee Production (Million 60-kilogram bags)



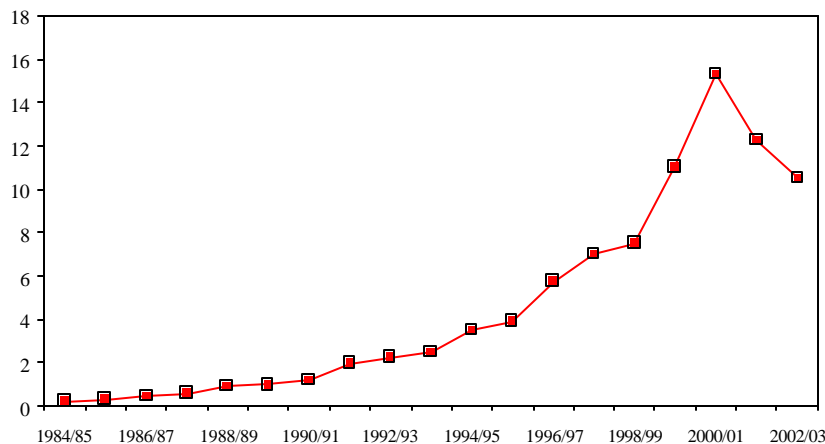
of the local currency vis-à-vis the U.S. dollar. Green coffee beans should contribute 26 million bags; roasted, 100,000 bags; while soluble exports are likely to remain stable at 2.5 million bags, green bean equivalent.

Vietnam's Substantial Increases in Coffee Production Has Lead to Lower World Prices

Vietnam's coffee production during 2001/02 is estimated at 12.3 million bags, a decrease of 20 percent compared with the record level in 2000/01 because of a reduction in crop area and yield. The area reduction occurred mainly in key robusta-producing areas like Tay Nguyen (Central Highlands) provinces, where some low-yielding coffee trees were removed. Yields dropped due to drought and low input use (less investment in irrigation, pruning, and fertilization). In addition, many Central Highland areas suffered from a prolonged drought from December 2001 until May 2002. In Dac Lac province, the crop yield was estimated to have declined by 15 percent and the 2001/02 crop area decreased by 7,000-8,000 hectares. During a visit to the province, U.S. Embassy agriculture employees saw some coffee areas being replaced by cashew trees inter-cropped with cassava plants. Cotton and corn are also considered by the regional government officials as good crops to replace coffee. In Lam Dong province, where the coffee area (estimated at about 140,000 hectares) is the second largest coffee area in Vietnam, there were about 20,000 hectares of coffee trees removed.

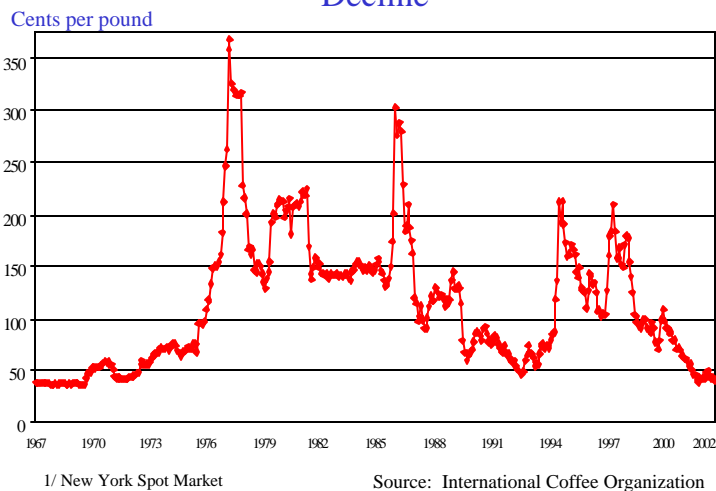
Coffee production is expected to be even lower in 2002/03 as a result of these factors. Coffee production during 2002/03 is forecast at 10.5 million bags, down 14 percent from the previous year. The province authorities are trying to encourage farmers to remove an additional 70,000 hectares of coffee trees by 2005. However, the process is slow as many farmers want to keep their coffee trees--hoping that prices will eventually improve. The provincial government strictly bans planting new robusta coffee trees by measures like land-use certificates and bank loan policies.

Vietnam's Coffee Production (Million 60-kilogram bags)



Coffee Prices At Near 100-Year Low

Brazil's Arabica Coffee Prices 1/ Continue to Decline



World coffee prices continue to decline and many coffee-producing countries are facing an economic crisis as a result. Governments are facing difficult consequences: rising unemployment and reduced export earnings are hurting the budgets of many countries. Many growers report that production costs are above the market price. As an indication of coffee prices, Brazil's New York spot market price for arabica coffee was \$0.4055 per pound in August 2002. This represents the lowest price for coffee (unadjusted) since July 1969. According to reports, on an inflation-adjusted basis, current coffee prices are at their lowest recorded level in 100 years. Producers in Central America and Africa have been particularly hard hit as coffee exports are crucial for export revenue. Some countries in Africa reportedly realize 60-70 percent of their export earnings from coffee.

As a result of this difficult situation, especially as it relates to Central American farmers, Congress, through its Committee on International Relations, Subcommittee on the Western Hemisphere, has been focused on the situation in recent months and examining what could be done to help boost world coffee prices. The expectation is that raising coffee prices would help these economies, keep coffee farmers on the farm, and help to prevent the switch from coffee production into illegal crops, such as coca.

Given ample coffee supplies and exports, coffee prices are not expected to increase over the near term.

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